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COOPERATIVE POLICY AND FORMULATION OF SUPPLEMENTARY PLANS FOR 1959-60

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MINISTRY OF COMMUNITY DEVELOPMENT & COOPERATION

(DEPARTMENT OF COOPERATION)

GOVERNMENT OF INDIA

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No. F. 1—12/59-Coop. I

GOVERNMENT OF INDIA

MINISTRY OF COMMUNITY DEVELOPMENT & COOPERATION

(Department of Co-operation)

Krishi Bhavan

New Delhi, the 11*th May*, 1959.
21*st Vaisakha*, 1881.

From

SHRI M. R. BHIDE, I.C.S.,
Additional Secretary
to the Government of India.

To

The Secretary in charge of Co-operation,
All State Governments/Union Territories.

SUBJECT: *Co-operative Policy and formulation of Supplementary Plans for* 1959-60.

Sir,

As you are aware, the National Development Council at its meeting on November 8 and 9, 1958, adopted a Resolution on Co-operative Policy and a Working Group was appointed to consider the administrative and organisational arrangements required for implementing the Resolution. The Resolution of the National Development Council on Co-operative Policy and the Report of the Working Group were circulated to State Governments, Union Territories, Reserve Bank of India, State Bank of India and a number of prominent co-operators. It was intended to discuss the Report of the Working Group at a Conference of Ministers of Co-operation and some prominent non-official co-operators in the middle of March, 1959 but unfortunately it was not possible to hold that Conference. Some State Governments, the Reserve Bank of India, the State Bank of India and a number of prominent co-operators, however, sent their views in writing and these were summarised in a note which was circulated at the last meeting of the National Development Council held on the 3rd and 4th April, 1959. The Government of India examined the Report of the Working

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Group and reached certain tentative conclusions which were also placed before the National Development Council. The National Development Council discussed the whole question in detail and made certain recommendations. These recommendations along with all the other relevant papers have been carefully considered by the Government of India and certain conclusions regarding the policies to be followed and the steps to be taken have now been reached. These are given in Annexure 'A' to this letter.

2. It is the purpose of this letter to convey the broad indications of policy the Government of India would request the State Governments to follow in this connection. Conditions vary considerably from State to State and in the light of local conditions and circumstances the State Governments may find it necessary to make suitable modifications in the details of the programme in the interest of sound and rapid development. A considerable degree of flexibility is therefore envisaged. The Government of India would, however, like to stress that such flexibility should not result in a major departure from the basic national policies that have been laid down in this respect.

3. For implementing the co-operative policy as outlined in Annexure 'A' and for achieving the enhanced targets of co-operative development, it will be necessary for State Governments to examine their existing programmes and revise them. It is realised that the provisions made in the annual plan for 1959-60 will not be adequate and in fact during the discussions of the 1959-60 plans, the State Governments were informed that the Government of India would be prepared to consider supplementary plans for co-operative development. It is, therefore, suggested that State Governments should take immediate steps to prepare supplementary plans for the period July 1959 to March 1960. The proposals may, *inter-alia*, include provisions in respect of the following matters:

(i) assistance to village co-operative societies;

(ii) assistance to supervising unions;

(iii) share capital contributions, loans and subsidies to marketing and processing societies;

(iv) strengthening of departmental staff; and

(v) expansion of training facilities for departmental employees and for an educational programme for non-officials.

4. It is requested that the supplementary plans should be forwarded to this Department as early as possible and it is hoped that State Governments would be able to do so not later than the 15th of June, 1959. Copies of the plans should be forwarded to the Planning Commission and the Reserve Bank of India. The form on which the Annual Plans are forwarded may be used for this purpose.

5. The question of financial assistance for co-operative farming societies is at present under consideration and a separate communication in that connection will follow.

6. Six spare copies of this letter and annexures are enclosed to enable the State Officers concerned to deal with the subject simultaneously.

Yours faithfully,

Sd. M. R. BHIDE,

Additional Secretary to the Government of India.

Copies forwarded to the Registrars of Co-operative Societies, All State Governments/Union Territories.

Sd. M. R. BHIDE,

Additional Secretary to the Government of India.

ANNEXURE 'A'

BROAD INDICATIONS OF THE POLICY TO BE FOLLOWED IN RESPECT OF COOPERATIVE DEVELOPMENT

(a) Community Development and Co-operation

1. The panchayat and the co-operative are the primary agencies for carrying out the community development programme, which aims at the improvement of all aspects of rural life through the efforts of the people. The village agricultural programme is the foundation of the programme for co-operative development and should receive the highest priority.

2. In carrying out the co-operative programme, the role of the community development agency as an agency of the State Government must be fully recognised. It is essential that before a co-operative society is registered or an existing society taken up for revitalisation, the block extension officer for co-operation, the co-operative staff under him and the village level worker should ensure that the programme is drawn up after the fullest consultation with the people.

3. The primary work of the village level worker should be in the field of agriculture, co-operation and panchayats and he must assist co-operative development particularly in publicity, propaganda, organisation and assistance to village co-operative societies in implementing their plans of production. He must, therefore, have a fairly adequate grounding in the theory and practice of co-operation and the co-operative content of his training should cover a period of at least three months. Action in this connection is being taken in consultation with the Ministry of Food and Agriculture who are in charge of village level workers' training centres. Refresher courses for village level workers should also be periodically held for them.

(b) Functioning of the village co-operative

4. The primary functions of the village co-operative will be the provision of short and medium term credit, supply of agricultural and other production requirements and the marketing of agricultural produce. In addition to these functions, the co-operative will help formulate and implement a plan of agricultural production for the village and undertake such educative, advisory and welfare

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work as the members might be willing to take up. For specific functions, co-operative societies may be organised for groups of villages (*e.g.* for industrial workers). They may also be organised within a village on behalf of those who benefit from a particular activity (*e.g.* co-operative farming, tube-wells, soil conservation, etc.)

(c) **Division of functions between panchayats and co-operatives**

5. The village panchayat is an administrative body comprising of all the people in the village and has revenue resources and tax powers. The village co-operative is essentially a business organisation whose resources are largely based on contractual obligations. Each of them has specific functions of its own, but there are certain functions at the village level which could be taken up either by the panchayat or the co-operative according to the local circumstances. It is, therefore, necessary to ensure that there is the fullest co-ordination between them.

(d) **Size of the Primary Rural Co-operative**

6. Co-operatives should be organised on the basis of the village community as the primary unit. Where villages are too small, with the consent of the communities concerned, a number of them covering a population of about 1,000 could be grouped together for the purpose of forming a village co-operative society. A certain amount of flexibility would, however, be necessary and provided the essential characteristics of a co-operative society, namely, voluntary basis, close contact, social cohesion and mutual obligation are ensured, suitable adjustments in the size of the population covered by a village society can be made.

7. The organisation of village co-operatives on the above lines is the pattern for general application. There are, however, tracts which are specially backward in the economic sense and it may not be possible in the near future for village societies in such areas to adequately handle credit and other activities. There are also areas in which co-operative societies have for various reasons been chronically stagnant and fail to render even the minimum service. In such areas the normal programme of revitalisation both for credit and other purposes may not hold near prospects of success and there is, therefore, a danger that in our efforts to organise village societies handling various activities as well as credit, the important function of credit itself may suffer. It is, therefore, proposed that in such areas, a credit union may be organised for a group of villages which will also have village societies.

8. The State may, if it considers it necessary, contribute to the share capital of the credit union. The terms and conditions particularly regarding the retirement of the State share of the capital should be determined in the light of local conditions. The credit union may also be assisted according to the circumstances, provided that the total assistance will not exceed Rs. 900 spread over a period of five years. The Government of India will share the cost of such assistance with the State Government on a 50·50 basis.

9. Individuals residing within the area of operation of the credit union and every village\society lying within its area will be eligible for membership in the union and should be enrolled as members. The membership of individuals in the credit union will depend on their membership of the village co-operative society affiliated to the credit union. While the credit union will advance loans directly to its members, these will be given on the recommendations of the affiliated village co-operative societies. The village societies will also be fully utilised for supervising the utilisation of the loans and for recoveries. The village societies will handle all other items of work to be taken up by primary village societies. Care should be taken to develop the village societies so that in course of time they will be in a position to handle the credit work also. In the implementation of policy in these areas there should be a good deal of flexibility and positive steps should be taken to give an impetus to the movement. The areas for adoption of this pattern should be selected by State Governments but the Government of India should be kept informed of the areas so selected.

10. Conditions in tribal areas are very different from those in the rest of the country and the pattern of a credit union for a group of villages may also be found more suitable for them. The Government of India would like to emphasise that in framing programmes for the tribal areas, special attention should be paid to the tribal organisations and customs and other significant conditions obtaining in such areas.

(e) **Type of liability of the village society**

11. Liability in the village societies may be either limited or unlimited and there should be no rigidity of approach in this respect. This question should be left to be determined by the members of the village society concerned.

(f) Contribution to the share capital of primary village co-operatives by the State

12. Share capital participation by the State in Apex and Central Banks and marketing and processing societies should continue; but there should be no state participation in the share capital of village societies. The real question is how to finance village co-operatives on a large scale over a period of time. Finance is needed by all the cultivators and particularly by small land holders who cannot get adequate credit for increasing agricultural production on their lands. The Department of Co-operation and the Planning Commission are examining, in consultation with the Reserve Bank, the question as to how larger funds can be made available through co-operative societies for implementing village agricultural production programmes.

13. Large sized societies covering a number of villages and a large population and with State participation in share capital should not be organised in future. Commitments made regarding managerial assistance, share capital contribution, etc. in respect of large sized societies registered before 1-4-1959 should, however, be fully met.

(g) Assistance to village co-operatives

14. It is recognised that new societies and existing societies taken up for revitalisation will, in the initial stages, require some financial assistance to enable them to meet their working expenses. The actual assistance to societies will have to be worked out in consideration of various factors and will have to be determined by the State Government. Such assistance should, however, not exceed Rs. 900 per society spread over a period not exceeding five years. The Government of India and State Governments will share equally the cost of such assistance.

(h) Incentives for increasing membership of village societies

15. In some States persons without permanent rights in land are either not admitted as members or are not provided with adequate credit. If co-operation is to be developed as a countrywide movement, it is necessary that every person who wishes to join a society is enabled to do so. The final decision about admission must, of course, remain with the society, but to prevent injustice, etc., a right of appeal against refusal to admit a person as a member should be provided. It is only when every family in the village joins the village multi-purpose society that it can become fully representative.

16. In every village, there are a few families, who do not require credit on any large scale and may indeed, have surplus funds for investment. Efforts should be made to attract them to the village society so that the necessary funds are found locally to the maximum possible extent. These families often provide the leadership in the village and their joining the village societies will strengthen them.

17. Village multi-purpose societies provide not only credit but various other services and facilities, a large number of which are, at present, provided by Government. It should, therefore, be the policy to progressively make such facilities available only to members of village societies. Similarly, there are certain other services, like land mortgage banking and marketing, which should also be progressively made available only to members of the village co-operative societies.

18. It is realised that all this cannot be done straightaway. State Governments and co-operative organisations should examine these suggestions and lay down a reasonable time-limit within which they should be implemented.

(i) Targets for membership and credit

19. The membership of village co-operative societies at the end of 1957-58 was a little over 10 millions while the target set by the National Development Council to be achieved by the end of the Second Five Year Plan period is 20 millions. It is felt that with special efforts particularly from non-official agencies and with larger financial accommodation for village multi-purpose societies this target should not be incapable of achievement. In this connection it is necessary to ensure that expansion is really sound and not merely on paper and for this purpose State Governments should lay down certain minimum conditions regarding membership and contribution to the share capital before new village societies are registered. State Governments should, in the light of these observations and the local conditions, prepare revised targets for new societies to be organised, existing societies to be revitalised and overall increase in membership.

20. As regards the target for credit, the Government of India are fully aware of the difficulties in providing adequate finance for 20 million members and of the various problems that arise in this connection. This question, as stated earlier, is being examined separately, and a further communication will follow. It is, however,

necessary to impress on State Governments the need for substantial increase in share capital and deposits in societies. Special efforts in this respect should, therefore, be made.

(j) **Drawing non-officials and honorary workers into the movement**

21. If co-operation is to succeed as a people's movement, it is necessary that non-official effort is brought in on a considerable scale. For this it is essential to create the necessary atmosphere. Even today in many States it is still the practice to nominate Government officials as Chairman of the Board of Directors. This practice should be given up at the earliest possible. Honorary workers and leaders with enthusiasm, ability and integrity must be attracted to the movement in much larger numbers. This is particularly so in respect of organisations which have promotional and educational activities.

22. For implementing the large scale programme of expansion envisaged, something more than official and non-official effort in the form in which it is available today is needed. A mass scale effort throughout the country is required. A vast army of persons with the essential ground and knowledge of co-operation will have to go into the field and carry the message to the masses and organise them. Special efforts in this connection will therefore be necessary.

(k) **Intermediary Organisation between the primary and the District level**

23. The organisation of supervising unions at the block or equivalent level is very necessary for the purpose of supervision, education, organisation and promotion. These supervising unions should be federated into district unions and a union at the State level and it is only thus that non-official effort in the co-operative field can be secured on a sound and stable basis. The Government of India would be prepared to share with the State Governments the cost of financial and technical assistance that may have to be given to such unions in the initial stages. A paper making certain suggestions covering this and the preceding para is enclosed for the consideration of State Governments (Annexure 'B').

(l) **Marketing, processing and Storage**

24. There is great need for more intensive development of co-operative marketing and processing. This is absolutely essential in view of the role co-operative marketing societies are expected to play in connection with the scheme for State foodgrains. Village societies should be members of such marketing societies and should

act as their agents for the sale of all surplus agricultural produce. Marketing co-operatives should be in close and constant contact with the central banks who should, to the maximum possible extent, open branches at the headquarters of marketing societies. This is also necessary for the convenience of the village societies in that area, particularly when banking unions covering a group of villages are not to be organised. There must be the fullest co-ordination between the central banks and their branches, marketing societies and village societies, if linking of credit with agricultural production on the one hand and with marketing on the other is to be ensured. Marketing societies should have godowns not only at their headquarters, but at suitable centres in the areas covered by them, in addition to godowns of large-sized societies and societies located in big villages. The present programme for the organisation of marketing societies should be accelerated and proposals for its expansion formulated so that all the markets in the country are covered. An expanded programme for co-operative processing should also be drawn up for implementation in the near future. Assistance for these programmes will be available according to the present pattern.

(m) Training and education of members, non-official workers and officials

25. The existing arrangements for training of departmental employees and employees of co-operative institutions should be expanded considerably in view of the large-scale expansion that will be necessary in the co-operative departments of State Governments. The Reserve Bank of India, the Government of India and the State Governments who are incharge of this work should examine the position and formulate revised programmes in this connection. Training and education of non-officials is being done on a small-scale by the All India Co-operative Union through State Governments and State Unions. A comprehensive programme of training and education at the village, block and district levels should be drawn up. Some proposals in this connection are at present under the consideration of the Government of India and a separate communication will follow. State Governments should, in the meanwhile, examine the position. The Government of India will continue to assist the implementation of such programmes on the present pattern.

(n) Strengthening of Departmental staff

26. There has been considerable progress in some States in this respect during the last three years. The position in other States,

however, is not satisfactory and as a result, supervision and inspection are inadequate and there are heavy arrears of audit. State Governments should also examine the position in the light of the large scale expansion envisaged and take necessary steps to increase the departmental staff at all levels. The Government of India will share the cost of additional staff sanctioned in the supplementary plans for 1959-60, and for the remaining period of the Second Five Year Plan on 50 : 50 basis as against the present position where the Government of India pays only 25 per cent of the cost. In this connection, it is necessary to stress that not only should the staff be adequate, it must also be properly trained. In addition, it is necessary to ensure that the Registrar and his senior officers are men with vision, receive adequate training in co-operative work and remain in the department for a sufficiently long period of time.

(o) **Simplification of co-operative law and procedure**

27. The existing position, particularly in respect of the procedure and rules, is not at all satisfactory. The law must clearly provide for various measures of regulation, control, supervision, audit, etc. A good deal of the criticism that is directed towards the rigidity of the co-operative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures followed by the co-operative department. In this respect considerable improvement is both desirable and possible. It is necessary that in exercising the controls provided in the law, rules, etc. there should be the closest possible association with representative non-official co-operative organisations. Where sound organisations exist, some of the powers could also be delegated to them. In States where non-official organisations either do not exist or are weak, they must be created or strengthened. The ultimate object in this respect must be to delegate as many powers as possible to such non-official organisations and to exercise other powers in close consultation with them. Only then can the movement become a people's movement governed by the people.

28. The law, rules and procedures vary from State to State and it is, therefore, not possible to make any uniform recommendations. It is suggested that State Governments should consider the appointment of small committees of officials and non-officials to examine the whole question and submit detailed proposals to Government for consideration and action at an early date. A copy of the note circulated to the National Development Council on this subject is attached. (Annexure 'C').

(p) Channelling of the taccavi and other facilities through co-operatives

29. As a rule, Government apart from distress taccavi, should not give loans to individuals and all assistance should be channelled through co-operative organisations. It is understood that in one or two districts in Bombay, taccavi is at present being channelled in this manner. State Governments should examine this question and take necessary steps in this connection.

(q) Co-operative Farming

30. The policy in this respect is to take such essential steps as will provide sound foundations for the development of co-operative farming so that by the end of the Third Five Year Plan a substantial portion of agricultural land is cultivated on co-operative lines. The Standing Committee of the National Development Council, in September, 1957 suggested (i) survey of existing co-operative farming societies with a view to selecting those societies which should be developed further through the programme of co-operative experiments, (ii) during the next three years about 3,000 co-operative farming experiments should be carried out, and (iii) three regional centres on co-operative farming should be set up at the end of the year. These suggestions and the pattern of assistance are under consideration and a further communication on this subject will follow.

ANNEXURE 'B'

STRENGTHENING OF NON-OFFICIAL ORGANISATIONS AND REDEFINING THE ROLE OF OFFICIAL AND NON-OFFICIAL AGENCIES IN THE DEVELOPMENT OF THE CO-OPERATIVE MOVEMENT

Co-operation is a form of organisation, in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests. From this it follows that the persons, who come together, should have a common economic aim, should pool their resources and should make self-help effective by mutual aid and by strengthening the bonds of moral solidarity between them. To be really successful, the movement must not only be voluntary but also popular, and broad-based. It must also, to the maximum possible extent, be organised and run by the people themselves. It is on this basis that the movement has been organised in most democratic countries in the West. In many countries, the State has given considerable assistance in various ways, but the initiative has remained with the people.

2. In India, the co-operative movement owes its origin largely to the initiative of the State and its development has been made the special responsibility of the Registrar, who has been equipped with the necessary powers and provided with the necessary staff to carry out various functions. The expectation that in course of time co-operators would themselves assume increased responsibility for the organisation and working of the movement, and thus make it ultimately independent of official control, has not been realised in many parts of the country for a variety of reasons. One is the comparative lack of education and lack of initiative by the people, particularly in the rural areas. Secondly, in some States, the Government and its officers have often not encouraged local leadership to come into the movement in responsible positions in the belief that they were not really capable of organising and running it. Actually, in some States, further and far-reaching powers have recently been conferred on the Registrar. To a large extent, this attitude is the result of the fact that local initiative was lacking and that Government was providing large funds and considerable staff for this work. Whatever be the justification for this under foreign rule, there is hardly any now. Every effort must, therefore, be made to encourage the people

and their leaders to take over the organisation and running of the movement. Government will, no doubt, continue to perform its statutory functions under the law and give the maximum possible financial and other assistance. The objective, however, should be to transfer, as early as possible, the responsibility for the movement to the people and their leaders.

3. In India, the co-operative agency is being used on an increasing scale as an instrument of national policy and it is inevitable that Government will have to play a very important role in this work. Considerable financial assistance will have to be given and functions, such as registration, cancellation, liquidation, audit, etc. will, for quite some time to come, have to be performed by Government in many States in India. There is, however, no reason why it should not be possible for Government to do this without taking away from the movement, its essential popular characters. In States where sound non-official organisations exist or can be quickly built up some of this work can be delegated to them.

4. In this connection, it is necessary to define broadly the role of the officials and the non-officials. In an era of State planning, it is imperative that direction and guidance come from the State. The State must provide the fundamental law for the regulation of co-operative societies. It must also educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development, the objective being to foster the spirit of mutual help and self-reliance among the people. It must, however, be realised that no State planning will succeed unless it is accepted by the people and becomes a part of their ideology. It is, therefore, essential to enlist the full support of the people and their leaders, in drawing up as well as in carrying out plans of co-operative development. A suitable machinery for consultation and administration and for constant inter-change of views and opinions between non-official co-operators and officers must be devised. The closest association of non-officials, at all stages, must be assured and the initiative of the people must be given full play.

5. The objective being clear, the question arises as to how it can be secured. Individual workers can contribute a great deal by their zeal and faith but, for the results to be of permanent value, it is essential that they work through suitable institutions. This applies not only to specific tasks like credit or marketing but also to general questions of education, propaganda and organisation and running of societies. This work at present is being done by

Government and non-official organisations in varying degrees. The pattern of organisation varies from State to State according to the local conditions and circumstances and, therefore, there should be no rigidity in this respect. It is, however, necessary that there should be a broad pattern for the country as a whole which can be modified according to local circumstances.

6. There are certain statutory tasks like audit, registration, cancellation, supersession, enquiry, etc. which are the responsibility of the Registrar and which as far as the law is concerned should, for the present, remain with him. In some States, however, some of these functions such as registration and supersession can easily be delegated to non-official organisations at the State or even district level. In other States, this may take time as sound non-official organisations do not at present exist. Delegation of powers in those States will depend entirely on how and when they are built up. Some functions particularly those relating to education, organisation and supervision should at the earliest possible moment, be handled by non-official organisations.

7. At present arrangements for supervision vary considerably. In one State, it is done entirely by Government, while in another, it is done entirely by a non-official union. In one State, there are supervising unions, district unions and a State supervising Board. In certain States, the work is done entirely by the Central Banks with their own staff. In parts of one State, it is done by Central financing agencies while in other parts of the same State, it is done by supervising unions which, are largely financed and controlled by central financing institutions. There is no uniformity and it is not intended that there should be complete uniformity throughout the country. On the other hand, it is felt that there should be a broad pattern with minor variations according to local conditions. The existing system in some States, where the Central financing institutions do the supervision of credit societies through their own staff, is not considered satisfactory. The central financing institutions have no doubt considerable stake in the solvency of the affiliated societies but it is neither necessary nor desirable that it should also be the agency for supervision. Non-credit societies are not dealt with by the central financing agencies and as a result another agency has to be created for their supervision. This is unsatisfactory. Supervision should be entrusted to an organisation of all the societies, credit and non-credit to be supervised and in this respect the existing pattern in certain States requires to be modified. Some

modifications in the broad pattern to suit local conditions and circumstances may be desirable. For example, the central financing institutions may have a larger voice in some States if conditions justify it. This question is important because on it depends the success of the efforts to hand over progressively, the organisation and working of co-operative institutions to non-official organisations.

8. There has been and there is even today, a tendency to organise co-operative institutions like unions and institutes at the national or state level without sound organisations at the district and village levels. As a result, the higher level organisations are often weak and unable to perform their legitimate functions satisfactorily. It is, in this connection, that the following suggestions are put forward for consideration:

Open Membership

9. (i) In many States, the village societies are not open to all the people in the village and quite often are the close preserve of a few well-to-do people, who take full advantage of the assistance and facilities provided by Government and yet are not prepared to open their doors to the weaker sections of the community. This approach is basically opposed to the ideology behind co-operation. It is, therefore, essential that every person, who wishes to join a co-operative organisation and benefit by it, is enabled to join it. To ensure this, it is necessary to give him a right of appeal against the refusal by the society to admit him as a member. Once this is done and every eligible person who wishes to join a co-operative organisation becomes a member, the village organisation will be fully representative of the village. The executive Committee, it will elect, will have to justify itself by its actions before the general meeting of the society and only then can the real leaders of the village do real service to the community.

Supervising Unions

(ii) A group of village co-operatives should be organised into supervising unions. The area of operation of a supervising union should be a community development block. In areas not covered by such blocks, a corresponding number of villages and population should be covered by a supervising union. Every village society will have one representative on the supervising union and will pay a small fee. Central financing agencies covering the area of operation of a supervising union will also send one or two representatives and will contribute to the funds of the supervising unions according to the volume of credit they provide to the societies in

that area. All other co-operative organisations working in that area will also join as members and pay contributions. Government will also contribute to the funds of the union, an amount sufficient to balance its budget. As time passes and the co-operatives and the central financing agencies develop, their contributions will increase and to that extent the Government contributions can be reduced. The supervising unions will not only supervise the affiliated societies but will also be responsible for the educational and organisational work in the areas within their jurisdiction. The tasks of educating the members of the societies and the members of the Executive Committee is very important and should be the responsibility of the supervising unions, which will be given all the necessary assistance. They should also formulate the co-operative development plan and review the progress made.

District Unions

(iii) There should be a district union for each district which should be a federation of the supervising unions in the district. The other co-operatives working in the district, which are not members of the supervising unions, *e.g.*, urban societies, should also join, the district union. The Central banks and various district organisations *e.g.*, marketing, should also be members of the district union. The district unions will receive contributions from the affiliated supervising unions, urban societies, district federations, central financing agencies and subsidies from Government. They will be concerned with educational, organisational and supervision work and will help the supervising unions in the district. They should have some technical staff, who will visit the supervising unions, advise, guide and assist them and take the necessary remedial action in respect of the work of the supervising unions.

State Unions

(iv) State unions will be federations of district unions organised on the same lines, with the same functions and will be financed on similar lines.

All India Union

(v) This should be a federation of State Unions. At present there is an All India Co-operative Union, which will have to be strengthened in various ways. Details will have to be worked out with the Executive Committee of the Union.

10. It must be made quite clear that the Government, the Registrar and his officers will not have any control over these institutions,

apart from their statutory duties of registration, inspection, cancellation, liquidation and audit and will not interfere in their day-to-day work. It will, however, be their duty to assist and help these organisations at all times, and in particular, in the initial stages. It would be an advantage to these organisations, if Government were to nominate one or two representatives on the Board of Directors of these institutions. They should be there as observers and for the purpose of assisting and helping them on the spot. They should not only have no right of veto, but they should not even have a vote. It would be made clear that such nomination would be made only if the organisations concerned so desire.

11. All the organisations will require trained staff. Such staff should, in the initial stages, be trained by Government at various co-operative training institutions. Later on they can join together and make their own arrangements if they so desire. These organisations must devote special attention to certain problems particularly education and training of members in the theory and practice of co-operation. They must also pay special attention to' the organisation and running of societies and supervise them in the day-to-day work.

12. There are a number of co-operative organisations like the State Co-operative Bank, the State Marketing Federation, Central Banks, etc. In some States, it is still the practice to nominate the Registrar as the President of the State organisations and officers in charge of districts as Chairman of the Central banks. Whatever be the justification for this in the past, it is necessary to change the system if genuine non-official effort in the co-operative field is to emerge. State Governments should, therefore, take immediate action to replace official chairman of various such bodies by locally elected non-officials. A definite programme for this should be laid down and implemented without delay. It must, however, be emphasised that the removal of Government officers from these posts should make no difference whatsoever to the financial and other assistance that is being given by Government to these institutions.

ANNEXURE 'C'

SIMPLIFICATION OF CO-OPERATIVE LAW AND PROCEDURE

1. The main object of co-operative legislation is to provide the general basis for ensuring the co-operative character of the institutions and leave the rest to rules and bye-laws. The substantive law should lay down broad principles and the necessary authority for guidance, regulation, audit, etc., and details will have to be filled in by the rules to be made by Government. There should also be scope left to the bye-laws of the societies.

2. Co-operation is a State subject and at present some State Governments are working under the 1912 (Central) Act which has been amended by local legislation in various respects while others have local laws amended from time to time. Conditions vary from State to State and it is thus not possible to have uniformity. The co-operative movement has developed in various directions including marketing, processing, cottage and village industries and in enterprises like sugar factories and substantial sums of money are involved. Suitable provisions should exist to meet these different activities.

3. In certain State laws, some essential functions are not provided for in the law and it is necessary to incorporate them in the Statutes. Similarly, experience has shown that in the interest of the soundness of the movement, the law must provide for some additional functions and powers. As against this, there are certain powers which, in the present context of things, are unnecessary and should be deleted from the Statute Book. Lastly, there are certain provisions which should be liberalised. Keeping all these aspects in view, certain suggestions are made below:

Additional Provisions to be made in the law

4. The law might specifically provide for the following:

(i) Registration of societies—conditions to be satisfied etc.

(ii) Settlement of disputes.

(iii) Supersession of inefficient managing committees. In the absence of such a provision, there is no alternative but

to cancel the registration of a society—a step which is considered too drastic.

(iv) The authority to hear appeals. Power to the State to review and revise the orders of the Registrar and other authorities should also be given.

(v) Co-operative farming societies and land mortgage banks.

(vi) Amalgamation and division of societies with the consent of the people.

(vii) Membership of co-operative societies and provision for appeals in case of refusal.

(viii) Legal provision for State aid to co-operative societies in the form of share capital, loans, grants and guarantees.

(ix) In view of the large scale plans of development, considerable financial assistance from Government and the need of a majority of co-operative organisations for guidance and help, inspection by Government, central banks, etc., —should be provided for in the law.

(x) The prompt execution of awards, decrees and orders concerning co-operative societies.

Liberalisation of the existing provisions

5. (i) Agricultural credit societies may have limited or unlimited liability.

(ii) The law should provide for annual audit either by the Registrar through separate qualified staff or through a properly equipped non-official organisation like the State Union.

(iii) Each State should decide on an appellate tribunal—whether it should be an official one—Board of Revenue or financial Commissioner—or a tribunal non-official in character.

Deletion of certain existing provisions

6. (i) The law in certain States has been amended to provide for compulsory amalgamation of societies. The provision is objectionable and should be removed from the Statute book.

(ii) In certain States, the Government-nominated directors are entitled to appeal against the majority decision of the Board of Directors and societies cannot implement majority decisions until the appeals are disposed of. This should be discontinued.

(iii) In certain States, the entire Board of Directors has been nominated for a period varying from 3 to 5 years. This system should be changed.

7. There are delays in procedures adopted. Steps should be taken to reduce them.

Delays generally take place at the following stages.

(a) Organisation
(b) Registration
(c) Affiliation with the financing bank
(d) Preparation of property statements
(e) Loan application by a member
(f) Sanction of loan by the financing bank
(g) Disbursement of loan to a member
(h) Arbitration and liquidation proceedings

(a) *Organisation*

Delays at this stage can be reduced, if the preparatory work of the supervisor is thoroughly carried out. The forms prescribed should be simplified. A time limit of three weeks should be enough for this work.

(b) *Registration*

In many States, the power of registration rests only with the Registrar and few senior officers. For societies following the normal pattern and the standard bye-laws there is no reason why the district co-operative officer should not be given the power. Delays also take place in consulting the Central Bank. It should be possible to complete this part of the work in three weeks. Taken as a whole, there should be a time limit of 2 months within which the first two stages ending with registration should be completed.

(c) *Affiliation with the financing bank*

Central banks take far too much time and a time limit of a 15 days should be enough for this work.

(d) *Preparation of property statements*

The statements are complicated and far too many people have to deal with them. It should be possible to reduce this number. Now that short term credit is to be given on the basis of the production programme, the fixation of the maximum borrowing limit of a society need not be held up till the property statements are completed in every respect.

(e) *Loan application by a member*

A society's consolidated loan application should be dealt with by the supervisor, who should send to the central bank either direct or through the inspector. This process should not take more than 10 days.

(f) *Sanction of loan by the financing bank*

Some central banks deal with applications of individual members and this not only causes delay but also adversely affects society's sense of responsibility. This practice is objectionable and should be given up. A time limit of 15 days should be enough for this stage. It should also be possible for the central bank to sanction a part of the loan straightaway, leaving the balance to be sanctioned later.

(g) *Disbursement of loan*

Central banks do not have enough branches and consequently societies have to spend a lot of time and money in coming to the central banks for the money. Wherever possible, central banks should arrange with State bank branches and Urban banks for disbursement of sanctioned loans.

(h) *Arbitration*

Delays in arbitration and liquidation proceedings are chornic. A time limit should be fixed for the arbitration work. As regards liquidation, there are many legal difficulties and every effort should be made to remove them.

8. There are considerable delays at the higher level in the Department as well as in the institutions.

9. This note states broadly the changes required in the law, rules and procedures. The law must specially provide for various measures of regulation, control, supervision, etc. Much of the criticism that is directed towards the rigidity of the co-operative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures followed by co-operative department. It is therefore necessary that in exercising such control there should be close association with representative non-official co-operative organisations. As an instance, a managing committee should not be superseded without consultation with the State or District Union. It will not only lead to good feeling but will also import a sense of responsibility to the officials as well as the non-official organisations. In states where sound and efficient non-official

organisations at various levels exist, such consultation should be possible straightaway. Some of the powers could also be delegated to them *e.g.*, supersession of a managing committee. In States, where non-official organisations are either weak or do not exist, progress in respect of consultation as well as in delegation of powers will be slower and will depend on how fast sound organisations can be brought into being. The ultimate objective must be to delegate as many powers as possible to such non-official organisations. Only then can the co-operative movement govern itself.

10. The various points brought out in this note require very close examination by State Governments. It is, therefore, suggested that State Governments should immediately appoint small committees of officials and non-officials to examine the whole question of the law, rules, procedure, causes of delay and allied matters and submit detailed proposals to State Governments for their consideration at an early date.

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